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UNCLAS PORT AU PRINCE 001326

SIPDIS

STATE FOR WHA/CAR
EB/IFD/OMA
EB/IFD/ODF
WHA/EPSC
INR/IAA/MAC
STATE PASS TO AID FOR LAC/CAR
TREASURY FOR ALLEN RODRIGUEZ, GREGORY BERGER, WILLIAM
BALDRIDGE, LARRY MCDONALD
USDOC FOR 4322/ITA/MAN/WH/OLAC/ (SMITH, S.)

E.O. 12958: N/A

TAGS: [EFIN](#) [ECON](#) [PGOV](#) [HA](#)

SUBJECT: Haitian Tax Collection Trails Projections

[11](#). SUMMARY: Revenue collection for the first half of the Haitian fiscal year is about 3.3 percent behind projections, due mostly to slower than expected internal tax collection (income tax and VAT). The Director General of Taxation attributes the shortfall to on-going violence in Port-au-Prince and delays in payment of taxes by several large parastatals. Reduced government revenue will exacerbate weaknesses in the economy and have political ramifications by slowing spending on much-needed development projects and potentially increasing public frustration with government performance. END SUMMARY.

Total Revenue Collection Down

[12](#). Figures provided to the Econ section by the Ministry of Economy and Finance show that revenue collection for the first half of fiscal year 2005 is about 3.3 percent behind projections, at approximately USD 203.0 million instead of the projected 209.9 million. (NOTE: The Haitian fiscal year runs from October 1 to September 30 and figures are converted into USD at the rate of 38 gourdes to 1 USD.)

Tax Collection 11.6 Percent Below Target

[13](#). Most of the deficit is caused by lower than expected internal tax collection (mostly income tax and VAT), at 136.7 million, rather than the projected 154.6 million, an 11.6 percent deficit. Another major component, customs collection, trails projections by a smaller 3.3 percent at 53.4 million instead of 55.2 million. Other sources of revenue were mostly higher, partially offsetting the low tax collection numbers.

[14](#). Tax collection trailed projections for each of the first 5 months of the fiscal year; only in the sixth month, March, did revenues slightly exceed projections by about 1 percent. Customs collection lagged strongly in the first quarter of the fiscal year, but has since rebounded in the second quarter and exceeded projections.

Violence and Deadbeat Parastatals to Blame

[15](#). The Director General of Taxation told Econ Counselor that the reduction in tax collection could be attributed to two factors: first, the on-going violence in Port-au-Prince that has slowed business activity and made tax collection more difficult; and second, the delays in payment of taxes by several large parastatals, such as the electricity company. Customs collection was similarly effected by violence, particularly around the port area in Port-au-Prince in the first quarter of the fiscal year, and by a Customs Department strike in December.

[16](#). COMMENT: Reduced government revenue will exacerbate weaknesses already present in the economy and will have political ramifications. Revenue shortfalls will likely slow implementation of much-needed development projects, such as road improvements. Unfortunately, the rate of aid disbursement, particularly for projects, is also behind what the IGOH had anticipated. The IGOH cites budget problems as one of the reasons it is slow to provide support to the state-run electricity company, thus causing power cuts in Port-au-Prince, worsening the frustration of the public with the performance of the current government. END COMMENT.